

1 Honorable Timothy W. Dore
2 Chapter 7
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9
10 UNITED STATES BANKRUPTCY COURT
11 WESTERN DISTRICT OF WASHINGTON
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14 In Re:)
15 Charlene Joy Keys,) Case No. 15-11227
16)
17 Debtor.)
18 _____)
19 United States Trustee,)
20 Plaintiff,) Adversary No.
21)
22 v.) COMPLAINT TO DENY DEBTOR'S
23) DISCHARGE
24 Charlene Joy Keys,)
25)
26 Defendant.)
27 _____)

28 The United States Trustee, for claims against defendant Charlene Joy Keys (the
29 "Defendant"), asserts and alleges as follows:

30 **PARTIES**

31 1. The plaintiff is the United States Trustee for Region 18, which includes the
32 Western District of Washington. The United States Trustee has standing to bring this action
33 under 11 U.S.C. §§ 307 and 727(c)(1).

34 2. The Defendant is the debtor in the above-captioned chapter 7 bankruptcy case.

35 COMPLAINT TO DENY DISCHARGE - 1

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37 700 Stewart Street
38 Suite 5103
39 Seattle, WA 98101-1271
40 206-553-2000, 206-553-2566 (fax)

JURISDICTION AND VENUE

3. This is an adversary proceeding to deny the Defendant's discharge, brought pursuant to 11 U.S.C. §§ 727(a)(2) and (a)(4), and Rule 7001 of the Federal Rules of Bankruptcy Procedure.

4. This Court has jurisdiction over this adversary proceeding pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(J).

5. Venue is proper pursuant to 28 U.S.C. § 1409(a).

FACTUAL ALLEGATIONS

6. On February 28, 2015 (the “Petition Date”), the Defendant filed a voluntary chapter 7 petition (the “Petition”) in the Western District of Washington, case no. 15-11227 (the “Chapter 7 Case”).

7. Ronald G. Brown is the trustee in the Chapter 7 Case (the "Trustee").

8. In conjunction with the Chapter 7 Case, the Defendant filed a petition (the "Petition"), schedules of assets and liabilities (collectively, the "Initial Schedules"), and a statement of financial affairs (the "Initial SOFA").

9. The Defendant signed the Petition, Initial Schedules and Initial SOFA under penalty of perjury as being true and correct.

10. The initial meeting of creditors was held and concluded in the Chapter 7 Case on March 26, 2015 (the “Creditors’ Meeting”). At the Creditors’ Meeting, the Defendant testified that: she had read and signed the Initial Schedules and Initial SOFA; the Initial Schedules and Initial SOFA were true and correct; and that the Initial Schedules and Initial SOFA listed all of her assets and all of her debts. The Defendant further testified that she had not made any transfers of assets or property to anyone in the two years prior to the Chapter 7 Case, and that no one owed her any money.

11. Initial Schedule B does not disclose all of the registered thoroughbred horses owned by the Defendant on the Petition Date (the “Undisclosed Horses”).

1 12. The Undisclosed Horses include, without limitation, the following:

2 a. Air Cargo;
3 b. Mykx Bull; and
4 c. Oso Brave.

5 13. On the Petition Date, the Defendant had a legal or equitable interest in two shares
6 of a syndicated stallion that provided annual breeding rights to the Defendant (the “Stallion
7 Shares”).

8 14. The Stallion Shares are not disclosed in the Initial Schedules.

9 15. On the Petition Date, Bill Knapp owed the Defendant money for boarding his
10 horses on her property (the “Knapp Receivable”). The Knapp Receivable is approximately
\$9,500.

11 16. The Knapp Receivable is not disclosed in the Initial Schedules.

12 17. On the Petition Date, the Defendant owned certain horse tack and other equine-
13 related tools and equipment (the “Tack”).

14 18. The Debtor’s interest in the Tack is not disclosed in the Initial Schedules.

15 19. Prior to the Petition Date, the Defendant through her dba Keys Research (“Keys
16 Research”) entered into a contract with Jodi Vanolst (“Vanolst”) to recover, for a fee,
17 approximately \$14,400 from the U.S. Bankruptcy Court for the Western District of Michigan.
18 The Defendant requested and received the funds (the “Vanolst Recovery”).

19 20. None of the Vanolst Recovery was ever paid to Vanolst. Instead, the Defendant
used the money for her personal and business expenses.

20 21. In Initial Schedule F, the Defendant characterized her debt to Ms. Vanolst as a
“personal loan.”

21 22. On May 26, 2015, Ms. Vanolst filed a letter with the Court, as ECF no. 28,
asserting that Initial Schedule B was false in stating that she made a personal loan to the
Defendant, and that instead the Defendant “never sent me my money, she diverted the funds and
kept them for herself.”

1 23. On June 3, 2015, in response to Ms. Vanolst's letter, the Defendant filed an
2 amended Schedule F changing the characterization of the debt to Ms. Vanolst to a "business
3 claim."

4 24. Prior to the Petition Date, the Defendant through Keys Research entered into a
5 contract with David Aikin ("Aikin") to recover, for a fee, approximately \$32,700 from the U.S.
6 Bankruptcy Court for the Middle District of Pennsylvania. The Defendant requested and
7 received the funds (the "Aikin Recovery").

8 25. On or about May 7, 2013, the Defendant made a partial payment of \$15,000 to
9 Aikin. The balance of the Aikin Recovery, less Keys Research fees, was never paid to Aikin.
Instead, the Defendant used the money for her personal and business expenses.

10 26. Due to her failure to pay Aikin all of the funds due him from the Aikin Recovery,
11 the Defendant owed Aikin money on the Petition Date.

12 27. Aiken is not listed as a creditor in the Initial Schedules.

13 28. Prior to the Petition Date, the Defendant through Keys Research entered into a
14 contract with Joseph Ciccone ("Ciccone") to recover, for a fee, approximately \$4,300 from the
15 U.S. Bankruptcy Court for the District of Maryland. The Defendant requested and received the
16 funds (the "Ciccone Recovery").

17 29. On or about July 14, 2014, the Defendant made a partial payment of \$2,500 to
18 Ciccone. The balance of the Ciccone Recovery, less Keys Research fees, was never paid to
19 Ciccone. Instead, the Defendant used the money for her personal and business expenses.

20 30. Due to her failure to pay Ciccone all of the funds due him from the Ciccone
Recovery, the Defendant owed Ciccone money on the Petition Date.

21 31. Ciccone is not listed as a creditor in the Initial Schedules.

22 32. Prior to the Petition Date, the Defendant through Keys Research entered into a
23 contract with Marie Bazeliaz ("Bazeliaz") to recover, for a fee, approximately \$2,800 from the
24 U.S. Bankruptcy Court for the Middle District of Florida. The Defendant requested and received
25 the funds (the "Bazeliaz Recovery").

1 33. The Bazeliez Recovery, less Keys Research fees, was never paid to Bazeliez.
2 Instead, the Defendant used the money for her personal and business expenses.

3 34. Due to her failure to pay Bazeliez all of the funds due her from the Bazeliez
4 Recovery, the Defendant owed Bazeliez money on the Petition Date.

5 35. Bazeliez is not listed as a creditor in the Initial Schedules.

6 36. Prior to the Petition Date, the Defendant through Keys Research entered into a
7 contract with Antonio Cortez (“Cortez”) to recover, for a, fee approximately \$1,900 from the
8 U.S. Bankruptcy Court District of Nebraska. The Defendant requested and received the funds
(the “Cortez Recovery”).

9 37. The Cortez Recovery, less Keys Research fees, was never paid to Cortez.
10 Instead, the Defendant used the money for her personal and business expenses.

11 38. Due to her failure to pay Cortez all of the funds due him from the Cortez
12 Recovery, the Defendant owed Cortez money on the Petition Date.

13 39. Cortez is not listed as a creditor in the Initial Schedules.

14 40. Prior to the Petition Date, the Defendant through Keys Research entered into a
15 contract with Rapid Cash to recover, for a fee, approximately \$1,700 from the U.S. Bankruptcy
16 Court District of Nevada. The Defendant requested and received the funds (the “Rapid Cash
17 Recovery”).

18 41. The Rapid Cash Recovery, less Keys Research fees, was never paid to Rapid
19 Cash. Instead, the Defendant used the money for her personal and business expenses.

20 42. Due to her failure to pay Rapid Cash all of the funds due it from the Rapid Cash
21 Recovery, the Defendant owed Rapid Cash money on the Petition Date.

22 43. Rapid Cash is not listed as a creditor in the Initial Schedules.

23 44. To the extent further discovery discloses that the Defendant, through Keys
24 Research, obtained funds from courts on behalf of clients other than those named in this
25 Complaint and failed to pay the recovered funds to those clients (the “Other Possible
26 Creditors”), the Other Possible Creditors are not disclosed in the Initial Schedules.

1 45. A thoroughbred race horse named Terajoy is listed on Initial Schedule B as
2 owned by the Defendant on the Petition Date.

3 46. Shortly before or after the Petition Date, the Defendant sold Tarajoy for the
4 purported price of \$2,500 (the “Horse Sale” and the “Sale Proceeds”).

5 47. The Defendant does not have any records reflecting the Horse Sale, and has
6 testified that she is uncertain whether the transaction occurred before or after the Petition Date.

7 48. The Horse Sale, if it occurred prior to the Petition Date, is not disclosed in the
Initial SOFA.

8 49. The Defendant did not turn the Sale Proceeds over to the Trustee, and instead
9 used the Sale Proceeds for her personal and business expenses.

10 50. On July 7, 2015, the Defendant filed an amendment to question no. 1 of the Initial
11 SOFA to restate her income from employment or operation of business (the “SOFA
12 Amendment”).

13 51. According to the Defendant’s 2013 federal tax return, she had gross income in
14 2013 of \$217,760, including \$180,824 from Keys Research and \$36,936 from horse
15 racing/breeding through Award Thoroughbreds.

16 52. Initial SOFA question no. 1, and the SOFA Amendment, fails to accurately state
17 the Defendant’s gross income for 2013.

18 53. The Defendant received more income in 2013 from her association with a Native
19 American tribe than disclosed on Initial SOFA question no. 2.

20 54. According to the Defendant’s 2014 federal tax return, she had gross income in
21 2014 of \$71,267, including \$61,419 from Keys Research and \$9,848 from horse racing/breeding
22 through Award Thoroughbreds.

23 55. Initial SOFA question no. 1, and the SOFA Amendment, fails to accurately state
24 the Defendant’s gross income for 2014.

25 56. The Defendant received more income in 2014 from her association with a Native
26 American tribe than disclosed on Initial SOFA question no. 2.

FIRST CLAIM FOR RELIEF

11 U.S.C. § 727(a)(2)(A) and (B)

(Concealment and Transfer of Assets)

57. Paragraphs 6 through 56 are hereby incorporated.

58. The Defendant, with intent to hinder, delay, or defraud a creditor or the Trustee, concealed her property, and property of the estate, on the Initial Schedules and at the Creditors' Meeting. The concealed property includes, without limitation, the Undisclosed Horses, the Stallion Shares, the Tack, and the Knapp Receivable.

59. If the Horse Sale occurred after the Petition Date, then the Defendant, with intent to hinder, delay, or defraud a creditor or the Trustee, transferred property of the estate, and used the Sale Proceeds, without the knowledge or consent of the Trustee and without authorization of the Court.

SECOND CLAIM FOR RELIEF

11 U.S.C. § 727(a)(4)

(False Oaths)

60. Paragraphs 6 through 56 are hereby incorporated.

61. The Defendant knowingly failed to disclose material information in the Initial Schedules, Initial SOFA, SOFA Amendment, and at the Creditors' Meeting to the Trustee, including, without limitation:

a. her interests in the Undisclosed Horses, Stallion Shares, Tack and Knapp Receivable:

b. the real basis for her debt to Vanolst:

c. her debts to undisclosed creditors Aik

e. Her debts to undisclosed creditors Akin, Ciccone, Buzenetz, Cortez, Rapido

d. the Horse Sale and receipt of

e. her true gross income for 2013 and 2014.

62. The Defendant signed the Initial Schedules and Initial SOFA under penalty of perjury when she knew they were materially false.

63. The Defendant falsely testified at the Creditors' Meeting about the accuracy of the Initial Schedules and Initial SOFA.

64. The false oaths set forth above relate to material facts.

65. The false oaths set forth above were made with fraudulent intent.

66. The false oaths set forth above were made in or in connection with the case.

WHEREFORE, the United States Trustee prays for relief as follows:

A. That the Court enter a judgment denying the discharge of the Defendant.

A. That the Court enter a judgment denying the discharge of the Defendants pursuant to 11 U.S.C. §§ 727(a)(2) and (a)(4); and

B. For such other and further relief as the Court deems just and equitable.

DATED this 10th day of July, 2015.

Respectfully submitted,

Gail Brehm Geiger
Acting U.S. Trustee for Region 18

By: /s/ Martin L. Smith
Martin L. Smith, WSBA #24861
Attorney for United States Trustee